



VIRGINIA INDIGENT DEFENSE COMMISSION

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF MAY 2020

Auditor of Public Accounts
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P.O. Box 1295
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July 6, 2020

David J. Johnson, Executive Director
Virginia Indigent Defense Commission
1604 Santa Rosa Road, Suite 200
Richmond, Virginia 23229

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire, completed on May 4, 2020, for the **Virginia Indigent Defense Commission** (Commission). The purpose of this review was to evaluate if the agency has developed adequate internal controls over significant organizational areas and activities and not to express an opinion on the effectiveness of internal controls. Management of the Commission is responsible for establishing and maintaining an effective control environment.

Review Process

During the review, the agency completes an Internal Control Questionnaire that covers significant organizational areas and activities including payroll and human resources; revenues and expenses; procurement and contract management; capital assets; grants management; and debt. The questionnaire focuses on key controls over these areas and activities.

We review the agency responses and supporting documentation to determine the nature, timing, and extent of additional procedures. The nature, timing, and extent of the procedures selected depend on our judgment in assessing the likelihood that the controls may fail to prevent and/or detect events that could prevent the achievement of the control objectives. The procedures performed target risks or business functions deemed significant and involve reviewing internal policies and procedures. Depending on the results of our initial procedures, we may perform additional procedures including reviewing evidence to ascertain that select transactions are executed in accordance with the policies and procedures and conducting inquiries with management. The "Review Procedures" section below details the procedures performed for the Commission. The results of this review will be included within our risk analysis process for the upcoming year in determining which agencies we will audit.

Review Procedures

We reviewed a selection of system and transaction reconciliations in order to gain assurance that the statewide accounting system contains accurate data. The definitive source for internal control in the Commonwealth is the Agency Risk Management and Internal Control Standards (ARMICS) issued by the Department of Accounts (Accounts); therefore, we also included a review of ARMICS. The level of ARMICS review performed was based on judgment and the risk assessment at each agency. At some agencies only, inquiry was necessary; while others included an in-depth analysis of the quality of the Stage 1 Agency-Level Internal Control Assessment Guide, or Stage 2 Process or Transaction-Level Control Assessment ARMICS processes. Our review of the Commission's ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated the agency's process of completing and submitting attachments to Accounts.

We reviewed the Internal Control Questionnaire and supporting documentation detailing policies and procedures. As a result of our review, we performed additional procedures over the following areas: payroll and human resources; revenues and expenses; contract management; and capital assets. These procedures included validating the existence of certain transactions; observing controls to determine if the controls are designed and implemented; reviewing transactions for compliance with internal and Commonwealth policies and procedures; and conducting further review over management's risk assessment process.

As a result of these procedures, we noted areas that require management's attention. These areas are detailed in the "Review Results" section below.

Review Results

We noted the following areas requiring management's attention resulting from our review:

- The Commission did not complete an analysis of its strengths, weaknesses, opportunities and threats (SWOT Analysis) as part of its Stage 1 Agency-Level Internal Control Assessment. Topic 10305 of the Commonwealth Accounting Policies and Procedures Manual requires agencies to refresh and refine the agency-level control evaluation annually, considering information from the agency's SWOT analysis. The Commission should perform this agency-wide SWOT analysis to further assess risk and comply with the ARMICS Standard.
- The Commission did not pay one of its vendors within 30 days following the receipt of services provided for two invoices selected. The Commission's internal procedures require payment within 30 days after receipt of either the invoice or the purchased goods. The Commission should pay its partners and vendors within 30 days and designate backup personnel to perform this function in the absence of the primary person. This will ensure compliance with the Commission's policies and procedures.

We discussed these matters with management on June 11, 2020. Management's response to the findings identified in our review is included in the section titled "Agency Response." We did not validate management's response and, accordingly, cannot take a position on whether or not it adequately addresses the issues in this report.

This report is intended for the information and use of management. However, it is a public record and its distribution is not limited.

Sincerely,

Martha S. Mavedes
Auditor of Public Accounts

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VIRGINIA DEFENDERS
INDIGENT DEFENSE COMMISSION

July 14, 2020

The Auditor of Public Accounts
P. O. Box 1295
Richmond, Virginia 23218

Dear Ms. Mavredes:

This letter is in response to your audit of the financial records and operations of the Virginia Indigent Defense Commission (Commission) for the fiscal year ended June 30, 2019.

The audit resulted in two findings. The Commission agrees that the SWOT Analysis was not completed as a part of Stage 1 Agency Level Internal Control Assessment. Also, the Commission agrees that there were two invoices paid late.

The Commission will resolve the Agency Risk Management and Internal Control Standards (ARMICS) finding by ensuring completion of the SWOT Analysis part of Stage 1 Agency Level Internal Control Assessment due on September 30, 2020 and will ensure this process is completed as part of the ARMICS process going forwards.

The Commission will resolve the late payment of invoices by ensuring that utility bills are properly tracked and paid for within the 30 days turnaround period. The Commission's goal is to maintain on time payments. We ensure that our on-time payment % is never below the 95% statewide compliance threshold. We will continue to strive to exceed that rate.

We appreciate the effort of the auditors and value their work and results. We take audit findings very seriously, and we understand the importance of correcting any issues as soon as possible. Thank you for your assistance.

Sincerely,

David Johnson
Executive Director